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REMARKS

Claims 79-84, 87-90, 95-97, 99-102, 104, 106, and 108-109 stand rejected in the present Office Action. In this response, claims 79, 80-83, 87-90, 95, 99, and 108 are amended; claims 1-78, 85-86, 91-94, 98, 103, 105, 107, and 110-111 are canceled without prejudice; and new claims 112-130 are added. Accordingly, claims 79-84, 87-90, 95-97, 99-102, 104, 106, 108-109, and 112-130 are pending in the present application. Applicants respectfully request reconsideration of the present application in view of the foregoing amendments and reasons.

As a preliminarily matter, Applicants thank Examiner Charles Kyle for discussing the present application with inventor Peter Dickstein and the undersigned by telephone on June 1, 2006. No exhibits were presented. Applicants described the environment of the invention and the problems addressed by the invention. Applicants pointed out possible support in the filed application to address the rejection of the claims under 35 USC 112, first paragraph. Possible claim language to distinguish over U.S. Patent No. 6,411,939 (Parsons) was also discussed.

35 USC 112, first paragraph, rejection

In page 2 of the Office Action, claims 79-84, 87-90, 95-97, 99-100, 102, 104, 106, and 108-109 are rejected under 35 USC 112, first paragraph, for failing to comply with the written description requirement. The claim limitation for a "vesting schedule [] determined/calculated after accessing company restrictions, a person's record and government restrictions from a database" is pointed out as not disclosed in the specification.

Applicants respectfully submit that written description support for determining a vesting schedule in accordance with accessed company restrictions, person's record, and government restrictions is provided, for example, at Paragraphs 0033-0034 and Figure 7. In Figure 7, the vesting schedule is not determined at block 714. The vesting schedule is not known until the steps at the bottom of Figure 7 have been reached.

Accessing company restrictions is illustrated with respect to block 706, wherein the board's approvals of option grants for particular stock classes are accessed in order to determine whether to preliminarily grant the option request. The specification discloses that:

> If the stock is preferred and the number of shares are less than or equal to the series capitalization minus the number of issues shares, issued warrants and granted options that are not cancelled (this calculation is hereinafter A) 704, *then the option is granted if the board as approved it 706*. . . If the option plan exists and the number of shares is less than or equal to the planned capitalization minus the number of granted SPRs and options that are not cancelled or recyclable (this calculation is hereinafter B) 710, *then the option is granted if the board has approved it 706*. If the option plan does not exist and the number of shares is less than or equal to the total common stock minus the total of the common stock issued and outstanding, shares remaining in the plan, option plan outstanding, stock purchase plans (SPP) available, warrants available, non-plan options outstanding, and the different series and undesignated shares (this calculation is hereinafter C) 712, *then the option is granted if the board has approved it 706*. . . If the person is an employee, then the option to be granted is classified as either a non-qualified stock option (NSO) or an incentive stock option (ISO) *as specified by the board minutes* 724. (Emphasis added) Paragraph 0033.

Next, accessing the person's record is illustrated with respect to blocks 720-724, wherein the employment status of the person with the company is relevant to determine the type of option. The specification discloses that:

> [After block 706,] the *application determines if the person to receive the option is an employee (E/ee) 720*. If the person is *not an employee, then a non-qualified stock option (NSO) is issued 722*. If the person *is an employee, then the option to be granted is classified as either a non-qualified stock option (NSO) or an incentive stock option (ISO) as specified by the board minutes 724*. (Emphasis added) Paragraph 0033.

Lastly, government restrictions are accessed to make the final determination as to the vesting schedule for the option. Accessing government restrictions (e.g., $100,000 of options exercisable per person per year rule) is illustrated with respect to blocks 726-742:

> If the option is an ISO, then *a calculation is performed to ensure that the aggregate fair market value of the shares which are exercisable for the first time during any calendar year does not exceed $100,000 in value, or whatever the statutory amount is at the time 726. Any shares exceeding the $100,000 limitation are treated as an NSO*. If the options are ISO only 728, then the exercise price

> (EP) is set to the fair market value (FMV) 730. An option number is generated 732, and the ISO is granted or pending 734. If the option is an NSO, then an NSO is issued 722. If the options are NSO only 736, then the *EP is set according to state law 738*. An option number is generated 740, and the NSO option is granted or pending 742. If the options are ISO and NSO 744, then the *exercise price EP is set according to state law 746*. If the option has been separated into ISO and NSO based on the $100,000 value limitation described above 748, then two option numbers are generated 732 and 740, and the ISO and NSO option are granted or placed in pending status 734 and 742. . . In a further embodiment, *where the ISO exceeds the limitation due to early exercise, the system will automatically allocate those ISO's in excess of the $100,000 statutory limit to be exercisable in the following calendar year*. (Emphasis added) Paragraphs 0033-0034.

Accordingly, it is respectfully submitted that the written description requirement under 35 USC 112, first paragraph, is satisfied and the rejection over claims 79-84, 87-90, 95-97, 99-100, 102, 104, 106, and 108-109 has been overcome. New claims 112-130 similarly meet the written description requirement under 35 USC 112, first paragraph.

35 USC 103 rejection over Parsons

In pages 3-6 of the Office Action, claims 79-80, 82-83, 87, 89-90, 95-97, 99, 101-102, 104, and 108-109 are rejected under 35 USC 103(a) as being unpatentable over U.S. Patent No. 6,411,939 (Parsons).

Parson discloses a system for providing replacement benefit plans to employees who are no longer eligible for benefits that they enjoyed (or could of enjoyed) while working in their home country upon a work transfer to a different country. For example, contributions to 401(k) plans for U.S. employees working in a foreign country are not considered as tax deferred income in a majority of foreign countries. This means that, if the foreign-working employee still chooses to contribute to a 401(k) plan, the employer has to increase the employee's compensation to cover the additional foreign income tax, in order for the employee to achieve a benefit equal to the 401(k) plan. As another example, "when foreign national employees are assigned to work in countries other than their home country (TCN) the home country pensions are frozen and the employee may or may not be eligible to participate in [those] pension plans []. Consequently, the TCN employee may retire with a pension that is less than the pension of a colleague who never left the home

country. Prior to this invention, there was not uniform means for providing 'pension gap' funding created by these situations." Hence, if a company operates in "200 countries globally, there are 200 different sets of labor and tax laws that the international HR department has to consider when making even the smallest change to the compensation and benefits program." See Col. 1, line 37-col. 2, line 51; col. 11, lines 53-60; col. 3, lines 1-35.

Parsons aims to provide replacement benefit plans that are not necessarily the same as if the employee had not left his/her home country, but "equivalent" benefits:

> *The intent of this invention is to provide equivalent benefits. It is important to understand that equivalent benefits means "equitable" benefits, but does not have to be "same" benefits.* To further explain, foreign employees do not need to participate in a U.S. 401(k) plan, as long as the distribution from their replacement plan provides the same economic benefit as their U.S. peers. (Emphasis added) Col. 3, lines 19-25.

When the employee who will be working in a foreign country selects a replacement benefit plan and specifies investment choices making up the selected replacement plan, Parsons does not actually fulfill or execute the employee's actual selections. Instead, Parsons discloses using the employee's selections as a "phantom count" used "solely to measure the growth of the [employee's] benefit liability" to the employer:

> In Block 272, Funding Transactions inputs are received from Block 336, FIG. 12 and entered into the database in Block 260. These transactions include the calculation of net asset value for the assets being used to measure the participant's benefit liability. *For example, if a participant has selected the Standard & Poors 500 Index (S&P 500) as an investment for a replacement plan in which he is a participant, its value is used to measure the growth of the participant's benefit. However, the assets actually being used to fund the participant's liability may be and probably will be different investments.* (Emphasis added) Col. 25, lines 29-39.

> *The participant's asset allocation will usually be different from the plan sponsor's allocation.* The participant is allocating the investment choices included in the replacement plan, while the plan sponsor is allocating the actual investments being used to fund the plan's benefit liabilities. *The participant's asset allocation is actually a phantom count used solely to measure the growth of the participant's benefit liability.* (Emphasis added) Col. 27, lines 50-57.

Parsons provides benefits at a known future date (e.g., at age 65 when the employee will be eligible to withdraw his pension, in ten years when the employee will return to his home country, etc.) equivalent to the performance of the employee investment selections. This means that there may actually be no investments in the employee's account, or that the investments in the employee's account are different from what the employee selected:

> [T]he funding transaction addressed by this portion of the invention is a phantom account only and functions independently of the asset management associated with funding the plan. *For example, the [employee] may select the S&P 500 Index Fund and a Salomon Government Bond Index for his/her investment selections, but no assets will actually be transferred into funds simulating those indices.* The plan sponsor has the responsibility for investing the contributions made into the plan to meet the liabilities created by the participants. (Emphasis added) Col. 29, lines 48-57.

> [L]ife insurance may be selected as a funding vehicle for the replacement plan, and in fact, is the preferred method of funding. . . . *The participants [(e.g., the employees)] have no incidence of ownership*, nor do they have any beneficial interest in the policy's values. They are only the insured[]. (Emphasis added) Col. 44, lines 46-56.

In contrast, each of independent claims 79, 95, 112, and 121 recites that the vesting schedule determined from the person's request (and company restrictions, person's record, and governmental restrictions) is the actual fulfillment of the request. When, for example, a person requests an options grant, the system executes granting the specified option. When, for example, a person requests exercise of a warrant or convertible promissory note (CPN), the system exercises the warrant or CPN, respectively. When, for example, a person requests a stock purchase, the system allocates the requested shares of stock to the person, including possibly generating actual stock certificates in the person's name. See Paragraphs 0027, 00333-0036; Figure 7. The system does not purchase a different company's stock, purchase an annuity of equivalent value to the CPN exercise, not actually confer ownership of shares of stock to the person but instead merely record it as a phantom count for accounting purposes, etc. Actual fulfillment of the person's request is relevant to integrated and accurate tracking of the company's complete equity ownership structure.

Parsons, on the other hand, is not concerned with actual fulfillment of the employee's investment selections because the employee selections merely specify the rate of return that the replacement benefit provided by the employer at a specified future date has to provide. Thus, a replacement benefit plan to replace a $20,000 annual pension could come from an annuity purchased by the employer, cash from current profits, cash value of a life insurance company, capital gains from stocks, etc. In Applicants' invention, if the person desired to exercise a CPN to convert a promissory note into shares of the company's stock, is it not equivalent for the person to instead receive shares of stock in a different company, even if the stock valuation is equivalent to the desired company's stock. The person is taking an ownership position in his desired company because he has confidence and certain expectations in that company that cannot be matched by another company. This is especially true of start up companies.

Moreover, each of independent claims 79 and 95 recites, among other things, that the company's equity ownership structure stored at the database is representative of the company's complete equity ownership structure, including the ways the company is funded and the associated ownership by employees, investors, and lenders. Each of independent claims 112 and 121 recites, among other things, that the person or user is at least one of an investor and lender. Support is found, for example, at Paragraphs 0004, 0026-0027, 0032, 0037, and 0047:

> The present invention is a system and method for organizing and managing corporate capitalization and securities. *A database tracks the complete capitalization, not just the administration of options.* (Emphasis added) Paragraph 0004.

> *A company's capitalization structure describes the way the company has been funded and the company's associated ownership structure.* . . . A company must be able to clearly and accurately define the shares authorized for issuance, under which federal and state exemptions they can be issued, the owners of the shares or options, and the value for any given shares. (Emphasis added) Paragraph 0026.

Shareholders in a company's equity can be employees, investors, and/or lenders. Support for employee ownership is provided, for example, in option grant requests. See Figure 7; Paragraphs 0033-0034. The company's stock can also be "granted directly to an investor." Paragraph 0037. Offerings, such as warrants, preferred stock, and CPN, are typically conferred to

non-employees (e.g., investors and lenders). An employee could not buy preferred stock nor be offered CPNs or warrants. "A warrant is another type of derivative security agreement between a company and another party (typically not employed by the company) entitling the party to buy the company's stock within a specified time frame at a certain price." See Paragraphs 0027, 0032, 0047.

Parsons does not disclose or suggest a system for handling the company's complete equity ownership structure, including the ways the company is funded and the associated ownership by employees, investors, and lenders, as recited in claims 79 and 95. Parsons does not disclose or suggest providing or handling replacement benefit plans for investors or lenders, as recited in claims 112 and 121. Investors and lenders would not be provided benefits by a company or cause benefit liabilities to the company, as employees would. Even if a company's obligations to investors or lenders could be considered to be benefit liabilities, it is unlikely that such obligations could be accounted for or met by providing proxy equivalent benefits that are not the same as the investors' or lenders' actual selections.

Accordingly, it is respectfully submitted that each of independent claims 79, 95, 112, and 121 is allowable over Parsons. Claims 80, 82-83, 87, 89-90, 96-97, 99, 101-102, 104, 108-109, 113-120, and 122-130, which depend from one of claims 79, 95, 112, and 121, are allowable over Parsons for at least the reasons discussed above for claims 79, 95, 112, and 121.

35 USC 103(a) rejection over Parsons in view of Dictionary of Finance and Investment Terms

In page 6 of the Office Action, claims 84, 100 and 106 are rejected under 35 USC 103(a) as being unpatentable over Parsons in view of Dictionary of Finance and Investment Terms ("Dictionary").

Parsons and Dictionary, alone or in combination, fail to disclose the combination of elements recited in each of claims 84, 100, and 106. It is respectfully submitted that claims 84, 100,

and 106 are allowable over Parsons and Dictionary, alone or in combination, for at least the reasons discussed above for claims 79 and 95.

35 USC 103(a) rejection over Parsons in view of SEC EDGAR Submission 0001012870-98-001814

In page 7 of the Office Action, claims 81 and 88 are rejected under 35 USC 103(a) as being unpatentable over Parsons in view of SEC EDGAR Submission 0001012870-98-001814 ("SEC2").

Parsons and SEC2, alone or in combination, fail to disclose the combination of elements recited in each of claims 81 and 88. It is respectfully submitted that claims 81 and 88 are allowable over Parsons and SEC2, alone or in combination, for at least the reasons discussed above for claims 79 and 95.

Lastly, claims 80-81, 87-88, 90, and 108 are amended consistent with claims 79 and 95, to improve readability and grammar and are supported by the application as filed as discussed above. The recitation in each of claims 79, 95, 113, and 122 of the person (or user) including an individual acting on behalf of the person (or user) or an entity is supported by, for example, Paragraphs 0027 and 0032. New independent claims 112-130 are supported by the application as filed as discussed above. New dependent claims 113-120 and 122-130 are similar to dependent claims 80, 82-83, 87, 89-90, 96-97, 99, 101-102, 104, and 108-109.

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CONCLUSION

In the event the U.S. Patent and Trademark office determines that an extension and/or other relief is required, applicant petitions for any required relief including extensions of time and authorizes the Commissioner to charge the cost of such petitions and/or other fees due in connection with the filing of this document to Deposit Account No. **03-1952** referencing docket no. **468182000100**. However, the Commissioner is not authorized to charge the cost of the issue fee to the Deposit Account.

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Respectfully submitted,

By _____

Katherine D. Lee
Registration No.: 44,865
MORRISON & FOERSTER LLP
425 Market Street
San Francisco, California 94105-2482
(415) 268-6983